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ABSTRACT

This special report discusses the budget allocations of the proposed Illinois Fiscal Year (FY) 2001 budget. The report highlights two critical issues with far-reaching implications: the use of tobacco settlement monies and phased-in tax relief measures. The report describes steady growth across most agency-level appropriations, with the Department of Public Aid receiving the largest monetary increase and the Department of Children and Family Services (DCFS) receiving almost no funding increase. The Early Childhood Education Block Grant will receive a proposed increase of approximately 5 percent, with an additional $2 million set aside for an Early Learning Pilot Sites initiative. The Charter Schools program continues steady growth. The DCFS budget continues to reflect ongoing declines in the number of foster care and child custody cases. The substantial increases in the Department of Human Services Child Care request will maintain the quality initiatives now in place. However, several proposals are not included in the request, including a program to help child care programs become accredited. The bulk of the Department of Corrections request is for prison construction; this report maintains that if more dollars were invested in children and family programs, the expansion would not be necessary. The community health requests focus on valuable prevention strategies, such as the Healthy Families Illinois, a teen after-school program, and family resource centers. The TANF funding was reduced 30 percent from that of FY 2000. The report notes that the proposed budget does not include a cash grant increase for TANF and suggests that the current level is insufficient. (KB)

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Special Report

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Proposed FY 2001 Budget Overview

Ryan Administration's second budget request introduces funding preferences

The fiscal blueprint for this year's legislative session was presented Feb. 2 with the release of Gov. Ryan's Fiscal Year 2001 proposed budget. Amid sustained economic growth, four percent unemployment and a sizable budget surplus, the Ryan Administration's $46.5 billion request represents a 6.5 percent spending increase from FY 2000.

At first glance it appears overall agency allocations have not really changed. Yet, the details within individual departments demonstrate funding priorities for the fiscal year ahead. Even with economic prosperity, there are limited resources, and we must make choices between public policies. As the debates move forward, two critical issues emerge from the Ryan Administration's budget, with far-reaching implications not just for this year, but down the road:

Tobacco Settlement: Illinois stands to reap $9 billion over the next 20 years. Gov. Ryan proposed creating a Revenue Stabilization Fund with the $377 million we expect to receive during FY 2000—placing the dollars into the Treasurer's portfolio as an interest-generating safeguard against an economic downturn.

Between FY 2001-2005, Gov. Ryan also called for nearly half of tobacco settlement funds ($823 million) to be deposited in a trust fund by the Treasurer for income consistent with pension fund returns. Only interest income from that trust fund—approximately $179 million—would be spent by the state. The Administration proposed allocating the remaining tobacco settlement revenues ($970 million) toward specific health and related programs, which would trigger nearly $2 billion federal and private matching funds.

Phased-in Tax Relief Measures: Tax breaks that were passed in previous years will take effect during FY 2001, at a cost of more than $480 million. Fully increasing the personal exemption from $1,000 to $2,000 will furnish about $30 of relief to taxpayers and cost the state $326 million.

Between $80-$100 million is also earmarked for corporate tax relief through implementation of the single sales factor and an adjustment of how Illinois taxes insurance companies. And the tuition tax credit takes effect at an estimated cost of $75 million, primarily offsetting the costs of K-12 tuition for middle and upper income families with children already enrolled in nonpublic schools.

Altogether, these tax relief efforts reduce the amount of dollars we have to spend on other public purposes, and may reduce the willingness of legislative leaders to seriously consider targeted tax relief proposals—such as an Illinois EITC. In his budget address, Gov. Ryan informed legislators he would only entertain tax relief that is focused, meaningful, and does not "give away the store."

This *Special Report* describes selected children- and family-focused appropriations between FY 1997 and FY 2001.[1]

2

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Department and Issue Area Budget Trends

Steady growth continues across most agency-level appropriations. The Department of Public Aid has the largest monetary increase with $688 million above the FY 2000 allocation, while the Department of Corrections, the Department of Human Services and the Illinois State Board of Education all receive more than five percent increases over FY 2000.[2] In contrast, the Department of Children and Family Services has almost no funding increase.

The proposed budget continues to fulfill Gov. Ryan's campaign pledge to devote at least 51 percent of all new general funds toward education and job training—tying substantial present resources to these areas and setting a precedent for future budget growth. The FY 2001 budget increases funds for education and job training by $528 million (56 percent of new general fund appropriations). The following charts show the four-year funding trends:

Appropriations by Department
FY 1998 to FY 2001 Request

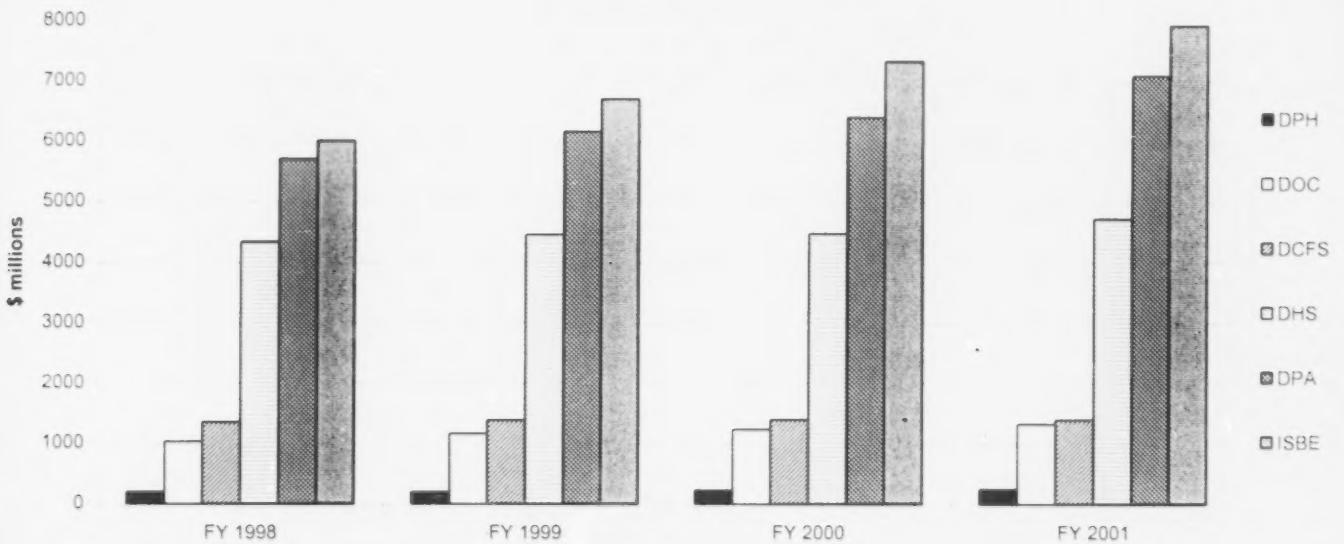

Table 1. Appropriations by Department, FY 1998 – FY 2001 Request (millions)

Department	FY 1998	FY 1999	FY 2000	FY 2001 request	% Change FY 2000 – FY 2001
DPH	$194	$201	$229	$249	8.7%
DOC	$1,029	$1,170	$1,241	$1,332	7.3%
DCFS	$1,355	$1,393	$1,403	$1,404	0.1%
DHS	$4,340	$4,469	$4,480	$4,729	5.6%
DPA	$5,707	$6,168	$6,408	$7,096	10.7%
ISBE	$6,006	$6,706	$7,339	$7,930	8.1%

Primary and Secondary Education

The Ryan Administration's budget calls for a $591 million increase in ISBE funding, and approximately $30.5 million, or 5.2 percent of the overall increase, applies to the Early Childhood Education (ECE) Block Grant.

The FY 2001 ECE Block Grant request is intended to maintain funding for 437 early childhood grants statewide, reduce waiting lists of the state's neediest children, and equalize funding in 0-3 parent education programs. ISBE estimates 130,000 Illinois children would qualify for early childhood education services and 55,000 children will be served in the Pre-K program during FY 2000.

Along with the Early Childhood Education Block Grant, ISBE has set aside $2 million for an Early Learning Pilot Sites initiative, which will select four to six sites serving children ages birth through eight to foster model programs for education and support through school, family and community partnerships. These programs will serve as learning labs for other school districts by offering technical assistance, training opportunities and site visits.

The Charter Schools program continues to see steady growth, from 1996-97 when there was one charter school serving 50 students, to the current 17 charter schools educating 5,600 students. Schools are initially chartered for five to 10 years—offering teachers, parents and children an exploratory outlet for public school innovation by showcasing diverse educational methods with performance-based evaluation of results.

Table 2. Select Education Appropriations, FY 1997 – FY 2001 Request (millions)

Department and Select Program Areas	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001 request	% Change FY 2000 — FY 2001
ISBE Total	$5,368.8	$6,005.7	$6,705.7	$7,339.2	$7,929.6	8.0%
General State Aid*	$2,377.6	$2,525.7	$2,923.0	$2,987.5	$3,005	0.6%
Special Education**	$461.9	$498.3	$529.3	$686.4	$734.1	7.0%
Early Childhood Education Block Grant***	$118.1	$134.1	$154.2	$170.2	$200.7	17.9%
Literacy Programs****	$45.4	$47.4	$83.4	$85.9	$88.4	2.9%
Charter Schools*****	$0.633	$2.5	$2.5	$14.5	$17.5	20.7%

* GSA includes Hold Harmless funds in FY 2001. ** The Special Education appropriation figures displayed here represent eight line items: Children with Low-Incidence Disabilities, Extraordinary Services, Orphanage Tuition, Personnel Reimbursement, Philip Rock Center, Private Tuition, Regular Education Initiative, and Summer School. *** The Early Childhood Education Block Grant appropriation figures were suggested as part of the Governor's request. **** Literacy Programs includes the Reading Improvement Block Grant, Reading Improvement Statewide, and the Family Literacy program. ***** The Charter Schools appropriation figures include Charter Schools (state), Charter Schools (federal) and the Charter Schools Revolving Loan Fund.

Children At Risk

The DCFS budget continues to reflect ongoing declines in the number of foster care and child custody cases and a corresponding growth in adoption and subsidized guardianship. During FY 2001, DCFS anticipates becoming the largest public or private agency in the nation to be fully accredited by the Council on Accreditation of Services for Families and Children. Already, 38 of DCFS' 64 field sites and all central office functions have been accredited, and all private foster care providers must achieve accreditation by the end of FY 2001.

Table 3. Select DCFS Appropriations, FY 1997 – FY 2001 Request (millions)

Department and Select Program Areas	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001 request	% Change FY 2000 — FY 2001
DCFS Total	$1,334.6	$1,355.0	$1,392.5	$1,403.0	$1,404.2	0.1%
Protective Services*	$68.9	$75.1	$67.6	$70.4	$72.3	2.7%
Family Support**	$31.2	$32.4	$33.2	$33.5	$33.3	-0.6%
Foster Care***	$469.9	$534.6	$505.7	$473.5	$408.3	-13.8%
Institution/ Group Homes****	$347.4	$364.8	$279.1	$264.8	$258.7	-2.3%
Adoption*****	$55.7	$74.4	$110.1	$151.9	$211.5	39.2%

* The Protective Services area includes Child Protection Administration, Child Protection Downstate, Child Protection Cook, Purchase of Children's Services, and Children's Advocacy Centers. ** The Family Support area includes Family Preservation Program and Family Centered Services Initiative line items. *** The Foster Care area includes Foster Care Homes and Specialized Foster Care. **** Inst./Group Homes includes the Institution and Group Home Care and Prevention line item. ***** The Adoption area includes Adoption and Guardianship Services. Foster Care, Institution/Group Homes and Adoption categories do not include administrative costs.

Child Care and Early Education

The Ryan Administration's DHS Child Care request includes substantial increases to maintain access and the quality initiatives now in place. Child care is undergoing tremendous growth: DHS projects child care enrollment to reach 195,000 in FY 2000, and anticipates serving 218,000 children in FY 2001.

Gov. Ryan's request includes $1.5 million to implement monitoring of license-exempt home child care—the setting for about 60 percent of children—by Child Care Resource and Referral agencies. According to the Illinois Department of Human Services, "CCR&R staff will conduct site visits to review DHS cases and verify the presence and age of children, the status of the caregiver, and the condition of the environment. Training may also be provided to caregivers."[3]

But the Ryan Administration's request does not include several inventive proposals that would enrich current efforts around access, and inject greater quality into child care programs:

- **Maintain Eligibility for Families Below 50 Percent of State Median Income:** Illinois currently uses 1997 median income levels to determine eligibility for child care assistance, which translates into only 43 percent of today's median income. As a result, families are often

forced to forgo pay raises to maintain their child care arrangements.

HB 1718 would require using the most current state median income figures available to determine eligibility, and annually updating income guidelines. (Projected cost—$22.5 million.)

- **Encourage Child Care Accreditation:** Voluntary accreditation is a powerful program improvement tool because it provides a process for child care centers and homes to evaluate their programs in relation to parents' expectations and professional standards. Accredited programs offer better quality services because they have staff with specialized early childhood training, physical environments that promote learning, better health and safety provisions, and more involvement with parents.

  HB 2210 would establish a $3 million public-private partnership ($1.5 million in private sector funds and $1.5 million in state funds) to help programs become accredited. The bill also offers enhanced subsidized child care rates by 10 percent for accredited programs so they can maintain accreditation. (Projected cost—$3.5 million in FY 2001.)

- **Create Great START (Strategy to Attract and Retain Teachers):** A typical child care center must replace half of its staff every two years, and low wages and lack of benefits are the primary reasons child care teachers leave their jobs. HB 4021 would attract and retain qualified child care staff by instituting a professional development and compensation program called Great START.

  The idea is based on a program which has reduced personnel turnover and improved quality in North Carolina by offering wage supplements for staff with higher levels of education and time spent working at one center or home. Gov. Ryan has pledged to spend 51 cents of every new dollar on education and workforce development. A portion of these funds should be spent on Great START, which would create a well-trained, stable child care workforce that can provide high quality education and care to children at a crucial time in their educational development. (Projected cost—$25 million.)

Table 4. Select Child Care and Early Education Appropriations, FY 1997 – FY 2001 Request (millions)

Select Program Areas (Dept)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001 request	% Change FY 2000 — FY 2001
Pre-Kindergarten (ISBE)*	$112.2	$122.9	$141.2	$156.6	$184.6	17.9%
Child Care (DHS)**	$262.8	$380.6	$391.5	$459.4	$655.7	42.7%
Child Care (DCFS)***	$19.3	$19.3	$19.9	$25.3	$25.6	0.2%

* Pre-Kindergarten represents 92% of the Early Childhood Education Block Grant starting in FY98. ** Beginning in FY 1999, Child Care in DHS includes TANF GRF, Child Care Services GRF and SPTF, Migrant Child Care Services, and Donated Funds Initiative line items. The $459.4 for FY 2000 does not include a $40 million supplemental request and a $38.2 million transfer from TANF. In addition, about $44 million of the FY 2001 appropriation will fund FY 2000 services—requiring the same amount in FY 2002 appropriations for FY 2001 services. *** Child Care in DCFS includes Protective Family Maintenance and Day Care Infant Mortality. Pre-K and DCFS Child Care figures do not include administrative costs.

Corrections

Prison construction continues to top the Ryan Administration's DOC request. Altogether, the FY 2001 request calls for an $87.8 million increase over FY 2000 to add more than 4,400 prison beds, including a new juvenile facility in Kewanee. It is important to note that if more dollars were invested in the children and family programs outlined in this report, this prison expansion would be unnecessary.

Table 5. Select Dept. of Corrections Appropriations, FY 1997 – FY 2001 Request (millions)

Department and Select Program Areas	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001 request	% Change FY 2000 — FY 2001
DOC Total	$912.1	$1,029.2	$1,169.9	$1,241.5	$1,332.2	7.3%
Adult Division*	$690.4	$736.6	$773.0	$844.1	$888.5	10.5%
Juvenile Division**	$65.0	$84.8	$99.5	$110.3	$119.7	8.5%

* The Adult Division includes all the operation expenses of adult centers. It does not include the costs of correctional industries. ** The Juvenile Division includes all the operation expenses of Juvenile Centers and Juvenile Field Services. It does not include school division costs.

Community Health and Prevention

The Ryan Administration's request continues to focus on valuable prevention strategies. One example is the significant expansion of Healthy Families Illinois, a successful initiative that strengthens families and reduces child abuse and neglect. The budget also increases funding for the Teen R.E.A.C.H. after-school program, applying $5 million to fully fund programs started in FY 2000 and $2.5 million to add approximately 10 new program sites.[4]

The FY 2001 budget also includes $3 million from tobacco settlement funds, part of a five-year, $15 million commitment to create Family Care Resource Centers—a coordinated human service clearinghouse for information and referral on state and federal assistance.

Table 6. Select Community Health and Prevention Appropriations FY 1997 – FY 2001 Request (millions)

Select Program Areas (DHS)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001 request	% Change FY 2000 — FY 2001
Healthy Families Illinois	—	$1.75	$3.0	$6.8	$10.2	50%
Parents Too Soon	—	$8.8	$9.3	$10.2	$10.3	1.0%
Early Intervention	$41.0	$77.3	$77.3	$92.3	$105.1	14.0%
Teen R.E.A.C.H.	—	—	$3.3	$13.5	$21.0	56.0%
Family Care Resource Centers	—	—	—	—	$3.0	—

Health and Income Support

DHS predicts continued declines in the Temporary Assistance for Needy Families (TANF) caseload, from an estimated 96,000 in FY 2000 to 81,000 in FY 2001. As a result, the budget projects spending $246.2 million on TANF cash grants, a $63.9 million decline from the previous fiscal year.[5]

In spite of the welfare savings from reduced cases, for the 11th consecutive year the governor's proposed budget does not include a cash grant increase. The current $377 monthly TANF cash grant for a family of three has been severely eroded by inflation and cost of living realities. If the grant amount had kept pace with inflation since 1990, the monthly amount would be $481; if it had kept pace since 1975, it would be $796. Adjusting the cash grant for inflation since the last general increase in 1990 would cost approximately $72.8 million.

HB 3355 would require DHS to contract with one or more universities to review and report to the governor and legislature how the cash grant level affects the ability of TANF clients to transition from welfare-to-work and meet subsistence needs. The analysis would also examine the ability of children to stay in school, and the incidence of DCFS involvement with TANF clients.

TANF caseload decline also affects the Child Support Enforcement (CSE) budget. In FY 2001, CSE will receive a $42.4 million General Fund transfer. This transfer compensates for the reduction of income from the TANF caseload's child support collections, which have long been used to shore up CSE operations.

After an implementation plagued by problems, the KidCare health insurance program has enrolled approximately 82,000 children as of Dec. 1999. DPA anticipates further enrollment growth throughout FY 2001, due to aggressive outreach, a simplified application, and increased staff for processing applications.

Table 7. Select Health and Income Support Appropriations FY 1997 – FY 2001 Request (millions)

Select Program Areas (Dept)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001 request	% Change FY 2000 — FY 2001
AFDC/TANF* (DHS)	$944.9	$879.5	$711.4	$384.6	$268.8	-30.1%
Child Support Enforcement** (DPA)	$121.8	$143.6	$148.8	$177.9	$173.5	-2.5%
Emergency Assistance* (DHS)	$2.0	$2.0	$2.0	$2.0	$1.0	-50%
Medical Assistance (DPA)***	$5,606.5	$5,418.2	$5,720.6	$5,957.0	$6,624.3	11.2%
KidCare Health Insurance (DPA)****	—	—	$116.8	$83.0	$93.6	13.0%

* AFDC/TANF and Emergency Assistance program appropriations do not include administrative costs. ** The FY 2000 child support appropriation does not include the $12.6 and $17.7 million proposed supplemental requests for operations of the Child Support Enforcement program. *** This includes Medical Assistance Expenditures at the Department of Public Aid excluding Excellence in Academic Medicine Act, Medical Care: Chronic Renal Disease, Medical Care: Hemophilia, Medical Care: Sexual Assault Victims, and spending on the KidCare health insurance plan. The FY 2000 appropriation does not include a $180 million supplemental request to maintain payment cycles. ****KidCare includes both Medicaid spending for the Phase I expansion starting Jan. 5, 1998 and Phase II, beginning October 1, 1998.

The Road Ahead: Appropriations and Priorities

The Ryan Administration's FY 2001 proposed budget presents a framework for us to discern funding priorities for the current legislative session and the potential objectives of future budgets during Gov. Ryan's tenure. The budget holds far-reaching choices beyond dollar amounts we are spending on programs that matter to families. And these choices will continue to unfold in appropriation debates. Finally, the Ryan Administration's priorities can also be seen in the policies notably absent from the FY 2001 proposed budget.

This *Special Report* was authored by Brian Matakis. For more information about this topic and other state fiscal issues please call Voices for Illinois Children at (312) 456-0600.

Voices for Illinois Children is a non-profit, non-partisan, citizen-based advocacy group addressing problems faced by Illinois children and their families. Through policy analysis, public education and outreach, Voices generates support from civic, business and community leaders for cost-effective and practical proposals to improve the lives of Illinois children. Voices' President is Jerome Stermer and Chair of the Board is Lorraine Barba.

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Endnotes

[1] This *Special Report* uses appropriations instead of expenditures so the entire time series (FY 1997 – FY 2001) is comparable. There is often a difference between appropriated funds and funds spent for any given line item. This occurs for several reasons, such as funding sources, population changes and fiscal constraints.

[2] DPA growth is largely absorbed by Medical Assistance Program costs for new pharmaceuticals; rate increases for long-term and hospital inpatient care and a hospital outpatient rate increase from FY 2000; and for the Cook County Trust Fund, which covers client and uncompensated care costs.

[3] Illinois Department of Human Services "FY 2001 Budget Briefing," p.44.

[4] The $13.5 million FY 2000 Teen R.E.A.C.H. appropriation does not include $5 million of FY 1999 TANF funds, which are being used to support programs in FY 2000. Thus, total FY 2000 spending for Teen R.E.A.C.H. is $18.5 million — making the actual percentage change in funding between FY 2000 and FY 2001 13.5 percent.

[5] The $63.9 figure is according to the Illinois Department of Human Services Budget Office, and solely represents savings on TANF cash grant spending. The Illinois Bureau of the Budget uses $76 million as the anticipated decline in spending on cash assistance, which includes spending on TANF cash assistance grants, other cash assistance programs such as Aid to the Aged, Blind and Disabled, and other one-time costs associated with TANF.